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Ukraine: From Third World to First

Real Instruments of Economic Development:
Priority Industries and “Growth Points”

Anna Trzecinska
Vice President of National Bank of Poland

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How to Revive the Banking System: the case of Poland

Anna Trzecińska / NBP Vice President

Reconstruction of the banking sector in Poland

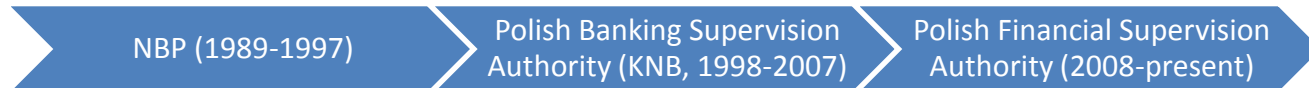
- Before the deregulation of 1989 the Polish banking system acted as a part of the centrally planned economy.
- At the beginning of 1989 there were 7 commercial banks operating in Poland (in addition to branches of NBP and 1662 small, cooperative banks). **The modern banking sector had to be built almost from scratch.**
- The banking laws approved in 1989 fundamentally changed the way of banking operations.
- Banking sector deregulation has caused a few negative effects, which led to the process of restructuring and consolidation of banking sector. The NBP (banking sector supervisor at that time) participated directly in the process of restructuring troubled banks in 90's.

The process of restructuring and consolidation of the Polish banking sector contributed to the formation of robust and trustworthy financial system.

How else did Poland build a strong and trustworthy banking sector?

A. Creation of solid institutional framework that maintained financial stability and helped to build common trust in the banking sector

- Proactive approach of banking sector supervisor (legal regulations, prevention, recovery programmes, early warning, early interventions)



- Establishment of Bank Guarantee Fund (BFG, 1994) and gradual increasing the amount of guaranteed deposits
- Cooperation between respective players responsible for maintaining financial stability

B. Effective, transparent and credible monetary policy conducted by the central bank with independence legitimised in the Constitution of the Republic of Poland (1997)

C. Strong economy with a continuous long-term potential for growth

D. Creation of the legal framework supporting development of the adequate range of products offered by banks

E. Diversification during the privatisation of state-owned banks in terms of the source of capital

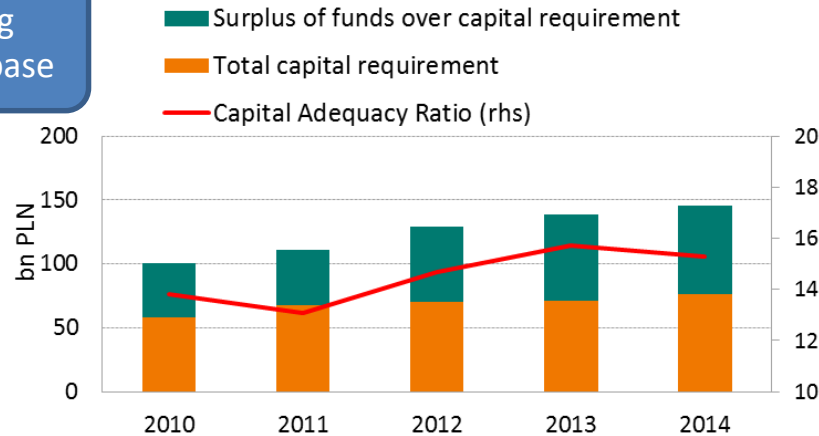
Thanks to the strong foundations laid after 1989, the Polish banking sector proved to be resistant to the negative impact of occurring periodically crises, especially the recent global financial crisis.

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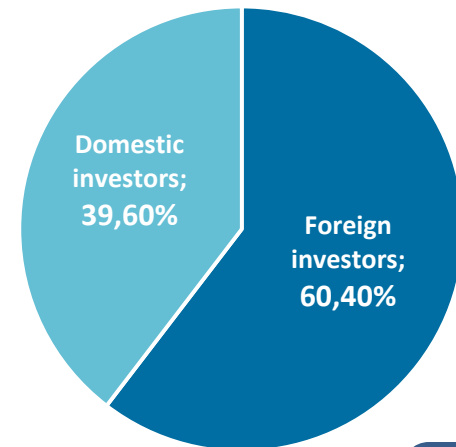
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Condition of Polish banking sector

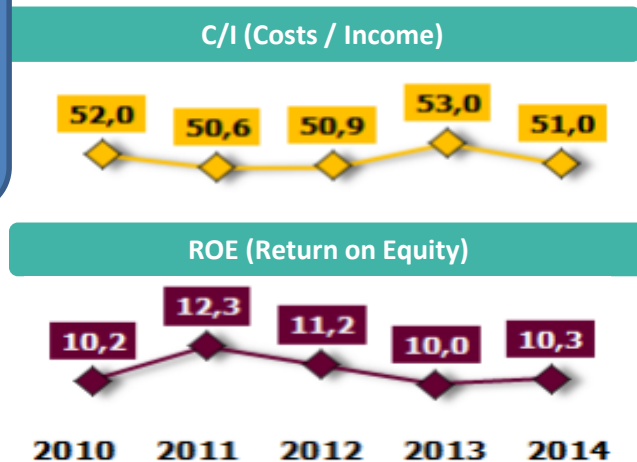
Strong capital base



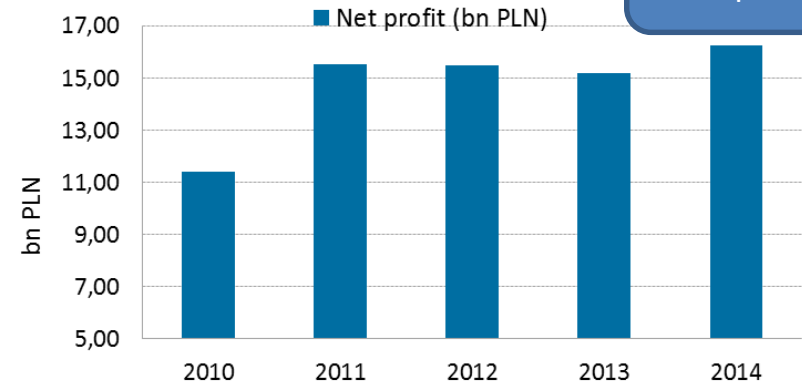
Shareholding structure (share in assets) in Q1 2015



Improvement of the key performance indicators



Increase of net profits



The role of NBP in maintaining financial stability after LB

Despite the lack of direct exposure to Lehman Brothers, Polish banking sector was adversely impacted by a crisis of confidence which spread to the Polish interbank market

NBP decided to introduce „Confidence Package” - a set of temporary measures focused on accomplishing three goals:

I

providing banks with liquidity in domestic currency for periods longer than one day

II

providing banks with liquidity in foreign currencies

III

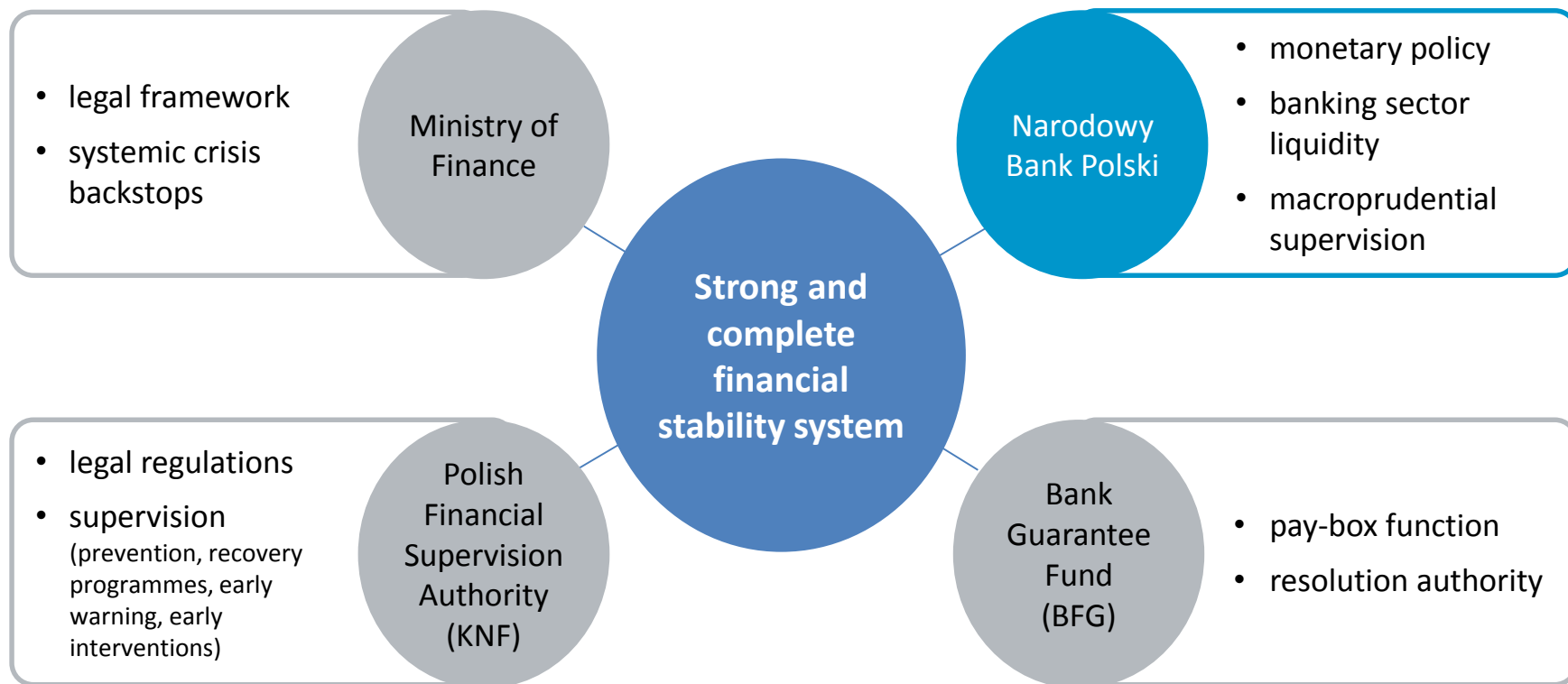
expanding the possibilities for banks to obtain liquidity in domestic currency

result

restored confidence in the markets that helped to avoid a potential systemic crisis

Most of the implemented measures were phased out due to observed improvement of liquidity conditions in the banking sector and corresponding lack of demand. However, some of the measures (e.g. wider range of eligible collateral) became a permanent elements of the NBP’s monetary policy operational framework.

Readiness of the public institutions to response to the new challenges



	Commercial banks	Branches of credit institutions	Cooperative banks	Credit unions
Number of entities	37	29	562	49

Source: KNF Report, Banking sector – ordinary data July 2015.

Contact

Tel. +48 22 185 15 44
anna.trzecinska@nbp.pl